

NORTH CENTRAL REGIONAL PLANNING COMMISSION

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED MARCH 31, 2011

NORTH CENTRAL REGIONAL PLANNING COMMISSION

TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Summary of Cash Receipts, Expenditures and Unencumbered Cash	3
Summary of Cash Receipts and Expenditures	4 - 5
Notes to Financial Statements	6 - 8
Supplemental Information:	
Statement of Cash Receipts and Expenditures - Actual and Budget	9
Single Audit Section:	
Schedule of Expenditures of Federal Awards	10
Notes to the Schedule of Expenditures of Federal Awards	11
Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12 - 13
Report on Compliance with Requirements Applicable to Each Major Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133	14 - 15
Schedule of Findings and Questioned Costs	16 - 19



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Pottberg, Gassman & Hoffman, Chtd

INDEPENDENT AUDITORS' REPORT

Executive Board Members
North Central Regional Planning Commission
Beloit, Kansas

We have audited the accompanying financial statements of North Central Regional Planning Commission (NCRPC), as of and for the year ended March 31, 2011, as listed in the table of contents. These financial statements are the responsibility of NCRPC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, NCRPC has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of NCRPC, as of March 31, 2011, or the changes in its financial position for the year then ended. Further, NCRPC has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of NCRPC, as of March 31, 2011, and its cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, on our consideration of NCRPC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of NCRPC. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of NCRPC. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The budget report on page 9 is not a required part of the financial statements but is supplementary information. We have applied certain limited procedures, which consisted primarily of inquires of management regarding the methods of measurement and presentation of the supplemental information. However we did not audit the information and express no opinion on it.

Pottberg, Gassman & Hoffman, Chtd.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
November 30, 2011

NORTH CENTRAL REGIONAL PLANNING COMMISSION

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

FOR THE YEAR ENDED MARCH 31, 2011

<u>Fund</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Canceled Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Governmental Type Funds:							
General Fund	\$ 791,107	\$ -	\$ 9,693,346	\$ 10,110,306	\$ 374,147	\$ 22,740	\$ 396,887
Fiduciary Type Funds	122,295	-	158,488	234,274	46,509	-	46,509
Private Purpose Trust Fund							
Total Reporting Entity	\$ 913,402	\$ -	\$ 9,851,834	\$ 10,344,580	\$ 420,656	\$ 22,740	\$ 443,396
Composition of Cash							
					Checking Accounts Certificates of Deposit		\$ 343,491
					Total Reporting Entity		99,905
							\$ 443,396

The notes to the financial statements are an integral part of this statement.

NORTH CENTRAL REGIONAL PLANNING COMMISSION

STATEMENT OF CASH RECEIPTS AND EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2011

	General	Homeland Security	Weatherization		DOE (ARRA)	Economic Development	Health	Total
			LIEAP	DOE				
Cash Receipts:								
Grant Income and Contracts	\$ 440,102	5,145,883	511,787	381,363	2,395,000	61,000	53,591	8,988,726
Local Contributions	60,885	-	-	-	-	-	-	60,885
Business Finance Programs	20,324	-	-	-	-	-	-	20,324
Rural Tax Credit Program	23,698	-	-	-	-	-	-	23,698
EDA Grant Local Match	-	-	-	-	-	40,667	-	40,667
Interest from Bank	2,945	-	-	-	-	-	-	2,945
Reimbursement / Fees	498,161	-	-	-	-	-	-	498,161
Transfers In	-	-	-	-	-	-	-	-
Miscellaneous Revenue	50,140	-	-	-	-	-	7,800	57,940
Total Cash Receipts:	1,096,255	5,145,883	511,787	381,363	2,395,000	101,667	61,391	9,693,346
Expenditures:								
Homeland Security Expenses	16,945	5,169,927	-	-	-	-	-	5,186,872
Salaries and Wages	221,415	-	81,703	50,644	340,581	66,214	47,613	808,170
Payroll Taxes and Benefits	82,001	-	19,786	13,211	78,709	17,505	6,241	217,453
Audit	7,631	-	821	1,275	2,762	500	250	13,239
Building Repair and Maintenance	132	-	-	-	-	-	-	132
Insurance	2,792	-	9,406	6,339	37,091	3,743	587	54,374
Office Supplies	5,285	-	868	1,085	3,214	882	120	11,454
Dues / Subscriptions	4,748	-	320	237	1,326	848	151	7,630
Postage	6,216	-	1,542	2,069	5,801	469	-	16,097
Occupancy Expense	4,779	-	1,033	1,572	4,320	1,397	600	13,701
Telephone and Utilities	279,557	-	4,942	4,910	18,898	2,621	1,428	312,356
Equipment Rental/Maintenance	11,344	-	1,517	1,122	4,570	1,231	2,867	22,651
Materials and Supplies	181,604	-	296,361	176,270	1,081,400	5	-	1,735,640
Professional Fees	19,041	-	79	133	397	1,045	1,519	22,214
Travel	2,451	-	11,400	4,872	42,992	4,255	3,380	64,448
Capital Purchases	-	-	-	-	-	-	-	-
Transfers Out - Local Match	40,667	-	-	-	-	-	-	40,667
Transfers Out - RLF	-	-	-	-	-	-	-	-
Conferences and Seminars	3,507	-	4,307	2,820	14,488	465	440	19,013
Contract Labor	146,878	-	253,267	153,557	980,013	699	1,500	1,535,914
Miscellaneous Expense	13,832	-	421	310	1,586	132	-	16,281
Weatherization Expenses	-	-	-	-	-	-	-	-
Advertising Expense	12,000	-	-	-	-	-	-	12,000
Transfer to NCKCN	-	-	-	-	-	-	-	-
Total Expenditures	1,045,325	5,169,927	687,773	420,426	2,618,148	102,011	66,696	10,110,306
Receipts Over Expenditures								(416,960)
Unencumbered Cash, Beginning								791,107
Unencumbered Cash, Ending								374,147

The notes to the financial statements are an integral part of this statement.

NORTH CENTRAL REGIONAL PLANNING COMMISSION

STATEMENT OF CASH RECEIPTS AND EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2011

Revolving Loan Fund

Cash Receipts:

Interest From Bank	\$ 672
Interest on Loans	33,741
Principal Payments	124,075
Miscellaneous Revenue	-
Total Cash Receipts	<u>158,488</u>

Expenditures:

Salaries and Wages	14,420
Payroll Taxes and Benefits	3,795
Audit	500
Insurance	815
Office Supplies	448
Dues / Subscriptions	36
Postage	65
Occupancy Expense	267
Telephone and Utilities	635
Equipment Rental / Maintenance	282
Materials and Supplies	1
Professional Fees	848
Travel	715
Loans Granted	210,500
Conferences and Seminars	275
Contract Labor	73
Transfer to General	-
Miscellaneous Expense	599
Total Expenditures:	<u>234,274</u>
Receipts over Expenditures	(75,786)
Unencumbered Cash, Beginning	<u>122,295</u>
Unencumbered Cash, Ending	<u><u>46,509</u></u>

The notes to the financial statements are an integral part of this statement.

NORTH CENTRAL REGIONAL PLANNING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

Note 1 Summary of Significant Accounting Policies

A. Financial Reporting Entity

The North Central Regional Planning Commission (Commission) was created under provisions of K.S.A. 12-2901 et seq. per resolutions, and presently serves a twelve-county area of North Central Kansas. The purpose of the Commission is to support the activities of member counties and cities, giving local leadership access to information and technical expertise, which would otherwise be unavailable in a truly rural setting.

The Commission was officially recognized as the Regional Planning Commission for the area in March 1972. Membership consists of county and / or city governmental units. The Governing Board is composed of one representative of each county commission or municipality, as well as private sector and at-large representatives. Total executive board membership on March 31, 2011 was sixteen.

B. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these financial statements, is designed to demonstrate compliance with the cash basis laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Commission to use the statutory basis of accounting.

C. Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the equipment owned by the Commission are not presented in the financial statements. Capital assets arising from cash transactions are accounted for as capital outlay expenditures upon acquisition. Also, long-term debt such as capital leases and compensated absences are not presented in the financial statements.

D. Budgetary Control

The Commission's management prepares a budget of estimated cash receipts and expenditures annually for the ensuing fiscal year. The annual operating budget is adopted, but is for internal management use only. State of Kansas statutes do not require the Commission to prepare or submit a legal budget.

Spending is controlled by federal regulations, other statutes, or by use of internal spending limits

NORTH CENTRAL REGIONAL PLANNING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

Note 1 Summary of Significant Accounting Policies, continued

D. Budgetary Control, continued

established by the governing body. A comparison of actual cash receipts and expenditures and budget amounts is presented as supplemental information.

Note 2 Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds have a main or branch bank in the county in which the Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Commission has no designated "peak period." All deposits were legally secured at March 31, 2011.

As of March 31, 2011, the Commission's carrying amount of deposits was \$443,396 and the bank balances totaled \$686,388. The bank balances were held by 2 banks resulting in a concentration of credit risk. Of the bank balances, \$500,000 was covered by federal depository insurance and \$186,294 was collateralized with securities held by the pledging financial institution's agents in the Commission's name.

Note 3 Revolving Loan Fund

In 1990, the Commission received an Economic Development Administration (EDA) grant of \$472,650 to be used in a revolving loan fund program matched with \$158,377 in local funds. Currently, loans are made to applicants from a nine-county area that meet specific criteria. 100% of the interest received from these loans may be used for documented administrative costs. The Commission cannot leave more than 25% of the funds idle or they may be sequestered. The EDA can review activity and can request repayment of grant funds if adequate activity is not maintained.

As of March 31, 2011, there were 15 loans outstanding totaling \$806,720 with interest rates ranging from 3.25% to 5.00%.

Note 4 Compensated Absences

The Commission's policy is to recognize the costs of compensated absences when actually paid. The Commission's policy regarding vacation leave allows full-time permanent employees to earn one day of vacation for each month of continuous employment. An employee may accumulate a maximum of

NORTH CENTRAL REGIONAL PLANNING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

Note 4 Compensated Absences, continued

15 days at a time. Management estimated a dollar amount of accrued vacation at March 31, 2011 of \$40,494.

Regular full-time employees accumulate sick leave at the rate of one day per month, and may accumulate up to 180 days. Employees are not paid unused sick pay upon termination.

Note 5 Defined Benefit Pension Plan

A. Plan Description

The Commission contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

B. Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for employees hired prior to July 1, 2009 and 6% of covered salary for employee's hired on or after July 1, 2009. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2011 was 7.14%. The Commission employer contributions to KPERS for retirement and insurance for the years ending December 31, 2010, 2009 and 2008 were \$48,890, \$41,634, and \$34,726, respectively, equal to the required contributions for each year as set forth by the legislature..

Note 6 Litigation

There were no legal actions involving the Commission as of March 31, 2011.

Note 7 Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the Commission has purchased commercial insurance coverage. Settled claims resulting from these risks have not exceeded commercial coverage in the past three years.

Note 8 Subsequent Events

Auditors from the Office of the Inspector General were on site September 13, 14 and 15, 2011 in conjunction with their visit to the Kansas Highway Patrol, reviewing documents for the Homeland Security Grant Program. Although several items were discussed concerning changes in accounting procedures for procurement and administrative expenses going forward, no report has been issued as of the date of these financial statements.

Management has evaluated subsequent events through November 30, 2011, the date on which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

NORTH CENTRAL REGIONAL PLANNING COMMISSION

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET FOR THE YEAR ENDED MARCH 31, 2011

GENERAL FUND	<u>Actual</u>	<u>Budget</u>	<u>Variance - Over (Under)</u>
Cash Receipts:			
Grant Income and Contracts	8,988,726	7,037,444	1,951,282
Local Contributions	60,885	63,222	(2,337)
Business Finance Programs	20,324	1,400	18,924
Rural Tax Credit Program	23,698	42,594	(18,896)
EDA Grant Local Match	40,667	-	40,667
Interest from Bank	2,945	3,250	(305)
Interest on Loans	-	34,200	(34,200)
Reimbursement / Fees	498,161	5,772	492,389
Miscellaneous Revenue	57,940	13,500	44,440
Total Cash Receipts:	<u>9,693,346</u>	<u>7,201,382</u>	<u>2,491,964</u>
Expenditures:			
Homeland Security Expenses	5,186,872	3,900,855	1,286,017
Salaries and Wages	808,170	732,000	76,170
Payroll Taxes and Benefits	217,453	255,040	(37,587)
Audit	13,239	19,000	(5,761)
Building Repair and Maintenance	132	7,170	(7,038)
Insurance	54,374	46,913	7,461
Office Supplies	11,454	10,900	554
Dues / Subscriptions	7,630	16,700	(9,070)
Postage	16,097	11,700	4,397
Occupancy Expense	13,701	10,700	3,001
Telephone and Utilities	312,356	281,327	31,029
Equipment Rental/Maintenance	22,651	16,000	6,651
Materials and Supplies	1,735,640	1,121,000	614,640
Professional Fees	22,214	29,250	(7,036)
Travel	64,448	83,000	(18,552)
Transfers Out	40,667	40,667	-
Conferences and Seminars	19,013	44,615	(25,602)
Contract Labor	1,535,914	946,138	589,776
Miscellaneous Expense	16,281	8,095	8,186
Advertising Expense	12,000	12,000	-
Total Expenditures	<u>10,110,306</u>	<u>7,593,070</u>	<u>2,517,236</u>
Receipts Over Expenditures	<u>(416,960)</u>	<u>(391,688)</u>	<u>(25,272)</u>

The notes to the financial statements are an integral part of this statement.

NORTH CENTRAL REGIONAL PLANNING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Commerce			
Economic Development Administration			
Support for Planning Organization	11.302	05-83-0495-02	\$ 61,000
Economic Development Administration - Economic Adjustment Assistance			
Revolving Loan Fund	11.307	05-390-2438	622,039
Total U.S. Department of Commerce			<u>683,039</u>
U.S. Department of Energy			
Passed through Kansas Housing Resources Corporation			
Weatherization Assistance for Low Income Persons	81.042	DOE-10-11	420,407
ARRA-Weatherization Assistance for Low Income Persons	81.042	ARRA DOE -11	2,618,148
			<u>3,038,555</u>
U.S. Department of Health and Human Services			
Passed through Kansas Department of Health and Environment			
Public Health Emergency Preparedness	93.069	PHEP 10	27,351
	93.069	PHEP 11	39,343
			<u>66,694</u>
Passed through Kansas Housing Resources Corporation			
Low Income Energy Assistance Program	93.568	LP-10-11	699,226
Total U.S. Department of Health and Human Services			<u>765,920</u>
U.S. Department of Homeland Security			
Passed through the Kansas Highway Patrol			
Homeland Security Grant Program	97.067	SHSP FY07	1,332,642
		SHSP FY08	1,770,370
		SHSP FY09	1,805,775
		SHSP FY10	259,966
			<u>5,168,753</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 9,656,267</u>

The accompanying notes are an integral part of this schedule.

NORTH CENTRAL REGIONAL PLANNING COMMISSION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS **FOR THE YEAR ENDED MARCH 31, 2011**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of North Central Regional Planning Commission (the Commission) under programs of the federal government for the year ended March 31, 2011. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position or changes in the financial position of the Commission.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, the same basis as the financial statements accompanying this schedule.



Pottberg, Gassman & Hoffman, Chtd.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

**Executive Board Members
North Central Regional Planning Commission
Beloit, Kansas**

We have audited the financial statements of North Central Regional Planning Commission (NCRPC) as of and for the year ended March 31, 2011, and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Kansas Municipal Audit Guide.

Internal Control over Financial Reporting

In planning and performing our audit, we considered NCRPC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NCRPC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NCRPC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reports, listed as 2010-1 and 2010-2. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether NCRPC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of NCRPC in a separate letter dated November 30, 2011.

NCRPC's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pottberg, Gassman & Hoffman, Chartered.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
November 30, 2011



Pottberg, Gassman & Hoffman, Chtd.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Executive Board Members
North Central Regional Planning Commission
Beloit, Kansas

Compliance

We have audited the compliance of North Central Regional Planning Commission (NCRPC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2011. NCRPC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of NCRPC's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Kansas Municipal Audit Guide; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NCRPC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, NCRPC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2011.

Internal Control over Compliance

The management of NCRPC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered NCRPC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

MEMBERS:
American Institute of
Certified Public Accountants

Kansas Society of Certified
Public Accountants



A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

NCRPC's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit their responses and, accordingly, we express no opinion on the responses.

This report is intended for the information and use of the board, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pottberg, Gassman & Hoffman, Chartered

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
November 30, 2011

NORTH CENTRAL REGIONAL PLANNING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED MARCH 31, 2011

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Significant deficiencies identified? X Yes No
- Material weakness(es) identified? Yes X No
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Significant deficiencies identified? X Yes No
- Material weakness(es) identified? Yes X No

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Indication of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
81.042	U.S. Department of Energy Weatherization Home Assistance Program
97.067	U.S. Department of Homeland Security Homeland Security Grant Program

Dollar threshold used to Distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk Auditee? Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

2010-1

- Criteria – Timely preparation of complete and accurate bank reconciliations and review by an individual independent of the process is a key to maintaining adequate control over both cash receipts and disbursements.
- Condition – In four of nine bank reconciliations reviewed, the date of the printed bank reconciliation was subsequent to the date of the review.

NORTH CENTRAL REGIONAL PLANNING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS **FOR THE YEAR ENDED MARCH 31, 2011**

- Context – In testing internal controls as required by government auditing standards, bank statements and their respective reconciliations were selected for review of documentation of internal control procedures.
- Potential Effects – Outstanding deposits, payee and date of cash disbursements could be in error or fraudulent.
- Cause – Indication of review by date and initials of the reviewer was made on the bank statement only and not on the reconciliation itself.
- Recommendation – Both the bank statement and respective reconciliation should be initialed and dated by the reviewer.
- Response – Not only will reviewer signing of all bank statements and reconciliation occur again but dating of the signature as well.

2010-2

- Criteria – Management is responsible for the fair presentation of the financial statements in conformity with the cash basis and budget laws of the State of Kansas.
- Condition – Management requested us to help prepare draft financial statements and notes to those financial statements.
- Context – At Management's request, we prepared recommended adjustments to the financial statements in conformity with the cash basis and budget laws of Kansas.
- Effect – Management did not use correct cutoff procedures for posting transactions to the financial statements.
- Cause – Management is using accrual methods for some of their financial statement transactions, and no documented policies or procedures related to the preparation of the financial statements and supplemental information.
- Recommendation – Management should (1) obtain a current copy of the Kansas Municipal Audit Guide (KMAG), (2) obtain a report checklist for KMAG financial statements, (3) adopt year-end procedures to prepare financial statements for audit, and (4) adopt a policy for financial statement review prior to annual audit.
- Response – We will obtain a copy of the Kansas Municipal Audit Guide (KMAG.) A report checklist for KMAG statements has been pursued and received. The financial procedures are being modified to better prepare financial statements for auditing. Plans are to adopt a policy for the aforementioned financial statements review prior to annual auditing in accordance with Government Auditing Standards.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2010-3

- Criteria – Management is responsible for compliance with grant agreements applicable to each of its major federal programs.
- Condition – Two contractors paid with ARRA funds did not document compliance with Davis-Bacon Act.

NORTH CENTRAL REGIONAL PLANNING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS **FOR THE YEAR ENDED MARCH 31, 2011**

- Context – Documentation for compliance by weatherization contractors for payment of employees in compliance with Davis-Bacon Act had not been completed.
- Effect – Some of the work done with federal funds had not been reviewed for compliance by management.
- Cause – Management did not request employee pay rates from two contractors until requested for the audit.
- Recommendation – Management should review each contractor's employee pay rates before payments for services on weatherization projects.
- Response – Weatherization program staff have gone back through and verified that Davis-Bacon Wage Act payroll reports are now provided for each contractor working on program houses. We have implemented new internal controls to make certain all Davis-Bacon payroll reports are in place prior to contractor payments occurring.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

2009-1

- Requirement – Security over access to financial data.
- Condition – Several employees have access to data in the financial software: the office manager, her back-up and the executive director. The office manager and her back-up have personal passwords. The executive director recently obtained access and uses the office manager's password.
- Context – During the audit it was noted that the shared password was spoken in conversation and reference was made to the location of where it was written.
- Potential effects – When multiple employees use the same password it is not possible to trace access and transactions to individuals or be aware if the entries have been reviewed or approved.
- Cause – Shared passwords do not allow notation of segregation of duties.
- Recommendation – The financial software allows for individual passwords for each employee needing access to the data. The passwords can also limit the type of access each employee has.
- Response – The executive director will obtain a personal password for the financial software in FY 2011 in order to provide unique access to the financial records.
- Current Status – The executive director has a unique password for access to the software in the absence of the Office manager and her back-up.

2009-2

- Criteria – Management is responsible for the fair presentation of the financial statements in conformity with the cash basis and budget laws of the State of Kansas.
- Condition – Management requested us to prepare draft financial statements including recommendations for adjustments needed to convert the financial data from the accrual basis.

NORTH CENTRAL REGIONAL PLANNING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS **FOR THE YEAR ENDED MARCH 31, 2011**

- Context – at Management's request, we prepared recommended adjustments to the financial statements in conformity with the cash basis and budget laws of Kansas.
- Effect – Management did not use correct cutoff procedures for posting transactions to the financial statements.
- Cause – Management is using accrual methods for some of their financial statement transactions.
- Recommendation – Management should move towards posting transactions on the cash basis of accounting.
- Response – The organization plans to move towards posting transactions on the cash basis of accounting.
- Current Status – NCRPC has actively moved toward posting transactions on the cash basis of accounting, although there were still adjustments needed for the financial statements to comply with this basis of accounting.

2009-3

- Criteria – Management is responsible for compliance with grant agreements applicable to each of its major federal programs.
- Condition – Not all contractors paid with ARRA funds were searched on the EPLS system.
- Context – Documentation for the review of weatherization contractors used on the EPLS report had not been completed.
- Effect – Some of the work done with federal funds had not been tested for compliance by management.
- Cause – Management did not review a new contractor as they were added until requested for the audit.
- Recommendation – Management should review each contractor before engaging them on weatherization projects.
- Response – The Excluded Parties Listing System in an online verification process for contractors engaged for work paid with federal funding. The new contractor for 2010 has now been verified as not being on the EPLS system. Subsequent verifications will also occur on future new contractors involving Weatherization ARRA funding and other ARRA funding.
- Current Status – Weatherization Assistance Program contractors engaged by the NCRPC in FY 2011 have been verified through EPLS. None are posing concerns per the EPLS system. Subsequent verifications will continue on future new contractors involving the Weatherization Assistance Program and other ARRA programming utilized by the NCRPC.